

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**Maquoketa, Iowa**

**FINANCIAL STATEMENTS**  
**December 31, 2012**

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**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
UTILITY BOARD OF TRUSTEES  
December 31, 2012**

<u><b>Name</b></u>	<u><b>Title</b></u>	<u><b>Term Expires</b></u>
Kevin Sohl	Chairman	December 2013
Leonard Ditch	Vice-Chairman	December 2015
Caroline Bybee	Secretary	December 2015
Dawn Paul	Board Member	December 2017
Ronald Snell	Board Member	December 2013

## INDEPENDENT AUDITOR'S REPORT

Utility Board of Trustees  
Maquoketa Municipal Electric Utility  
Maquoketa, Iowa

We have audited the accompanying financial statements of the business type activities, each major fund, and the aggregate remaining fund information of the Maquoketa Municipal Electric Utility, a component unit of the City of Maquoketa, as of and for the year ended December 31, 2012, which collectively comprise the Utility's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Utility officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, each major fund, and the aggregate remaining fund information of the Maquoketa Municipal Electric Utility as of December 31, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2013, on our consideration of the Maquoketa Municipal Electric Utility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Municipal Electric Utility's basic financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to

the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Municipal Electric Utility's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 11 and on page 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Min, City: Maquoketa CPA PC*

Maquoketa, Iowa  
April 1, 2013

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2012**

**I. INTRODUCTION**

This management discussion and analysis (MD&A) of Maquoketa Municipal Electric Utility's (MMEU) financial performance provides an overview of MMEU's financial activities for the fiscal year ending December 31, 2012. The information in this MD&A should be considered in conjunction with the financial statements that follow this section.

**II. OVERVIEW OF BUSINESS**

The City of Maquoketa established a municipal electric utility in 1919 in order to provide electricity to the City's streetlights. When it became apparent to local residents, that the City could also provide electricity to homes and businesses, the municipal electric utility was expanded and more generating units were added at its power plant. The City's electric utility actually operated for many years in direct competition with a private electric company until 1984 when the City purchased the Maquoketa assets and property of the Iowa Electric Light and Power Company. The two electric systems were eventually combined into one system.

The Maquoketa City Council and the Maquoketa City Managers were responsible for the oversight and administration of the municipal electric utility until 1985. The Maquoketa voters established an independent Board of Trustees to oversee the municipal electric utility on November 5, 1985. The utility was officially named Maquoketa Municipal Electric Utility (MMEU), and a Utility Manager was hired by the Board of Trustees to manage the electric utility.

**III. GENERAL OVERVIEW OF UTILITY OPERATIONS**

Governance of MMEU is now vested in a five-member Board appointed by the Mayor of Maquoketa with approval of the City Council. Members of the board of Trustees serve for six-year staggered terms. The Board has complete control of MMEU management and employs 14 full-time employees. MMEU's administrative office is located at City Hall.

MMEU has expanded over the years and currently provides electric service to virtually all parts of Maquoketa and some rural areas to the south of Maquoketa. MMEU presently serves approximately 2,839 residential customers, 664 commercial customers, and 19 industrial customers.

MMEU owns distribution lines and transmission lines. MMEU owns and operates two power plants. Plant 1, or the original plant built in 1919, is on the north side of the City, and presently has the capacity to generate 18,534 kW of power. Plant 2 was built in the City's South Industrial Park along U.S. Highway 61 on the City's south side. Plant 2 has the capacity to generate 5,000 kWh of power. The generating units at Plant 1 can operate on either diesel fuel or natural gas, and the units at Plant 2 operate on diesel fuel only. Plants 1 and 2 generated 1,634,272 kWh of power in 2012 or about 2.07% of the total power needs of the City.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2012**

When diesel fuel prices substantially increased in the 1970's, it became more cost effective for the City to purchase electric power at a wholesale rate from private companies that operated coal-fired and nuclear power plants. The City also joined a consortium of other municipally owned electric utilities known as the Resale Power Group of Iowa (R.P.G.I.) in the 1970's. The R.P.G.I. negotiates the contracts for wholesale electric power from private electric companies on behalf of its member utilities. MMEU signed a five-year agreement for the purchase of wholesale electric power with the R.P.G.I. in late 2003, which became effective on January 1, 2004. This contract ended December 31, 2008. MMEU has a contract with WPPI for wholesale electric power. In 2012, MMEU purchased 77,200,156 kWh or 97.93% of its power needs from WPPI.

**IV. OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A serves as an introduction to the financial statements and represents management's examination and analysis of MMEU's financial condition and performance. The financial statements contain information about MMEU based on cash accounting methods as utilized by similar entities in the private sector.

The statement of cash receipts, disbursements, and changes in cash balances presents the results of MMEU's receipts and disbursements over the course of the calendar year and provides information about MMEU's recovery of costs. Electric rates are established by the Board of Trustees and are based on MMEU's Cost of Service Study. The Cost of Service Study estimates annual revenue requirements through an analysis of operational and maintenance expenses, debt service requirements, anticipated capital needs, and return on capital. The study provides a core of information not only for the trustees and staff at MMEU, but also for the customers ultimately affected by the Board's decisions.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of data provided in the statements. The notes supplement the financial statements by presenting information about MMEU's accounting policies, significant account balances and activities, material risks, obligations, and commitments.

**V. MMEU/CITY AGREEMENTS**

Although MMEU operates as an independent department of the City of Maquoketa, there is a written cooperative agreement between the City and MMEU that defines shared services and joint efforts. MMEU also provides water meter reading services to the City for \$0.42 per month per meter.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2012**

**VI. MMEU BUDGET AND RATES**

MMEU has adopted a calendar year budget that reports on a cash basis. WPPI performs a cost of service study to assist the board in rate setting policy. The last rate study by WPPI was in 2008.

The current electric structure went into effect on November 1, 2011. Monthly MMEU rates are as follows:

<b>Residential</b>		
Basic Service \$/Meter		8.00
\$/kW:		
\$/kWh 1 <sup>st</sup> 600		0.1093
\$/kWh over 600 & Elec Ht		0.1093
<b>SGS Non-Demand/Municipal</b>		
Basic Service \$/Meter:	16.00	
\$/kW		
\$/kWh 1 <sup>st</sup> 4200		0.1053
\$/kWh over 4200 & Elec Ht		0.1053
<b>LGS-50 Demand</b>		
Basic Service \$/Meter:	50.00	
\$/kW	8.5000	
\$/kWh	0.0824	
<b>LGS-2000 Demand</b>		
Basic Service \$/Meter	200.00	
\$/kW	7.2500	
Distribution Demand	1.2500	
\$/kWh	0.0722	
<b>Security Lights</b>		
Basic Service \$/Meter:		
100 W HPS	8.75	
250 W HPS	14.25	
400 W HPS	18.25	
1000 W HPS	30.50	

Sales by type of customer account are as follows:

	<u>Accounts</u>	<u>kWh Sold</u>
Residential	2,834	24,031,220
Commercial SGS	675	24,162,691
Power LGS	19	24,725,690
Security Lights	348	585,580



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2012**

**VII. FINANCIAL HIGHLIGHTS**

MMEU's total revenues decreased from \$10,836,987 in 2011 to \$9,538,648 in 2012, a decrease of 11.98%. The decrease in MMEU revenues were due largely to decreases in residential, commercial, power sales and a rate reduction in November, 2011.

MMEU's total disbursements increased from \$9,711,465 in 2011 to \$12,033,112 in 2012, an increase of \$2,321,647. The increase in MMEU disbursements is due mainly to the payoff of the 2008 Bond Issue. There were no major improvement projects completed during 2012.

**VIII. PROGRAM REVENUES**

MMEU generated revenues from the following sources in 2012 and 2011:

	<u>2012</u>	<u>2011</u>
1. Charges for Services:		
Residential	\$ 2,973,553	\$ 3,309,650
Commercial	2,642,051	3,492,818
Power sales	2,503,372	2,950,908
Capacity payments	781,809	721,262
Security lights	74,234	78,595
Sales tax	264,454	-
	<u>9,239,473</u>	<u>10,553,233</u>
2. Intergovernmental	-	-
3. Use of Money/Property	67,263	75,310
4. Miscellaneous	<u>231,912</u>	<u>208,444</u>
<b>Total Revenues</b>	<b><u>\$ 9,538,648</u></b>	<b><u>\$10,836,987</u></b>

**IX. PROGRAM EXPENSES**

A comparison of MMEU 2012 and 2011 disbursements is as follows:

	<u>2012</u>	<u>2011</u>
General Operating	\$ 8,771,649	\$ 9,113,902
Debt Service	<u>3,261,463</u>	<u>597,563</u>
<b>Total Expenses</b>	<b><u>\$ 12,033,112</u></b>	<b><u>\$ 9,711,465</u></b>

The \$2,321,647 increase is due to the payoff of the 2008 Bond Issue.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2012**

**X. MMEU CASH BALANCES OR ASSETS**

MMEU operates on a cash basis accounting system using six funds. Almost all revenues are credited and expenses paid through the General Operating Fund. A comparison of the cash balances in the MMEU funds are as follows:

<u>Fund</u>	<u>Balance 12/31/2012</u>	<u>Balance 12/31/2011</u>
1. General Operating	\$ 3,597,436	\$ 5,434,893
2. Electric Surplus	174,935	172,461
3. Bond Sinking	-	167,334
4. Bond Reserve	-	492,500
5. Customer Deposits	<u>75,875</u>	<u>75,522</u>
<b>Total</b>	<b><u>\$ 3,848,246</u></b>	<b><u>\$ 6,342,710</u></b>

The General Operating Fund is divided into eight accounts.

<u>Account</u>	<u>Balance 12/31/2012</u>	<u>Balance 12/31/2011</u>
1. Operating Account	\$ 3,221,170	\$ 4,059,700
2. Insurance Account	68,353	68,042
3. Vehicle Reserve - Distribution	282,190	382,190
4. Vehicle Reserve – Plant	-	70,956
5. Power Requirements	-	50,000
6. Heavy Equipment	25,723	70,723
7. Sub I Improvement	-	683,282
8. Radiator Replacement	<u>-</u>	<u>50,000</u>
<b>Total</b>	<b><u>\$ 3,597,436</u></b>	<b><u>\$ 5,434,893</u></b>

**XI. CONDENSED REVENUES, EXPENSES AND CHANGE IN CASH BALANCES**

	<u>2012</u>	<u>2011</u>
Starting Cash Balance – All Funds	\$ 6,342,710	\$ 5,217,188
Total Revenues	9,538,648	10,836,987
Total Expenses	<u>12,033,112</u>	<u>9,711,465</u>
Ending Cash Balance – All Funds	<b><u>\$ 3,848,246</u></b>	<b><u>\$ 6,342,710</u></b>

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
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**XII. MMEU OUTSTANDING DEBT**

On January 15, 2008, MMEU Board of Trustees issued \$4,925,000 in electric revenue notes, with a net interest cost of 4.089%, to advance refund the 2001 and 2002 notes and to partially finance the \$1,800,000 substation/switchgear project. Underwriting fees and other issuance costs were \$82,100. Proceeds of \$3,266,568 were used to purchase U.S. Government Securities and deposited in an irrevocable trust with an escrow agent. Subsequent debt service payments on the refunded notes were paid from the irrevocable trust. The outstanding balance of the revenue notes as of December 31, 2012 was as follows:

Series 2008 Electric Revenue Improvement & Refunding Bonds      \$ -

A comparison of the debt paid and outstanding balances for 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Starting Debt Balance	\$ 3,140,000	\$ 3,600,000
Debt Issued	-	-
Debt Retired	<u>(3,140,000)</u>	<u>(460,000)</u>
Ending Debt Balance	<u>\$ -</u>	<u>\$ 3,140,000</u>

**XIII. SIGNIFICANT MMEU SYSTEM & EQUIPMENT IMPROVEMENTS**

MMEU completed the following system improvement project in 2012:

- Continued work on distribution lines update (4160 KV upgrade to 12470 KV)

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2012**

**XIV. ANALYSIS OF OVERALL FINANCIAL POSITION**

MMEU's overall financial position decreased by \$2,494,464 during 2012.

**XV. ANALYSIS OF BALANCES AND TRANSACTIONS**

The excess of disbursements over receipts was due to a decrease in residential, commercial, and power sales receipts, the November 2011 rate reduction and an increase in bond principal payments due to the payoff of the 2008 Bond Issue, in 2012, as compared to 2011.

**XVI. ANALYSIS OF VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGET AMOUNTS**

There was a relatively modest difference between the MMEU original budget and the actual results.

	<u>Budget</u>	<u>Actual</u>
Disbursements	\$12,453,252	\$12,033,112

The difference resulted from variations in the following items:

1. Power Plant
  - a. Diesel
  - b. Labor - staff reduction
2. Distribution
  - a. Not as much work was done on the 4 KV system as was planned

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2012**

**XVII. CURRENT KNOWN FACTS – EFFECT ON FINANCIAL POSITION**

There are few known facts, decisions, or conditions that are expected to have some effect on MMEU's financial position. MMEU does not anticipate any significant changes in operating expenses, revenues, or net assets in 2013.

MMEU has signed a long term power purchase agreement with WPPI (Wisconsin Public Power Incorporated). The agreement started January 1, 2009 and remains in effect until December 31, 2037. While power costs can vary in the next year, the variables will be based on load and the economy.

MMEU will continue to make improvements to the distribution system.

**XVIII. FINAL COMMENTS**

This MD&A report was written to assist readers in understanding the results reported in the financial statements. It represents MMEU's effort to follow GASB Statement No. 34. The MD&A will be upgraded and improved each year in order to help the reader assess the financial condition of the Maquoketa Municipal Electric Utility.

## **BASIC FINANCIAL STATEMENTS**

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS**  
**As of and for the Year Ended December 31, 2012**

	<u>Enterprise</u>
Operating receipts:	
Charges for services	\$ 9,239,473
Use of money and property	67,263
Miscellaneous	231,912
Total operating receipts	<u>9,538,648</u>
Operating disbursements:	
General:	
Power purchased	6,304,492
Employee expense	1,013,359
Contract labor	26,149
Repairs and maintenance	218,216
Supplies and services	77,847
Capital outlay	113,070
Sales and use tax	270,427
Gas and oil	91,890
Insurance	302,007
Franchise fee	193,757
Economic development	5,000
Energy conservation	14,393
WPPI community relations	4,449
WPPI conservation grants	29,443
Customer deposits	36,627
Utilities	26,739
Miscellaneous	43,784
Debt service:	
Bond principal payment	3,140,000
Interest	121,463
Total operating disbursements	<u>12,033,112</u>
Net change in cash balances	(2,494,464)
Cash balances beginning of year	<u>6,342,710</u>
Cash balances end of year	<u>\$ 3,848,246</u>
Cash basis net assets	
Unrestricted	<u>\$ 3,848,246</u>

The accompanying notes are an integral part of the financial statements.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS**  
**As of and for the Year Ended December 31, 2012**

	Enterprise Funds			Total
	General Operating	Bond Sinking	Nonmajor	
Operating receipts:				
Charges for services	\$ 9,239,473	\$ -	\$ -	\$ 9,239,473
Use of money and property	64,789	-	2,474	67,263
Miscellaneous	194,932	-	36,980	231,912
Total operating receipts	9,499,194	-	39,454	9,538,648
Operating disbursements:				
Power purchased	6,304,492	-	-	6,304,492
Employee expense	1,013,359	-	-	1,013,359
Contract labor	26,149	-	-	26,149
Repairs and maintenance	218,216	-	-	218,216
Supplies and services	77,847	-	-	77,847
Capital outlay	113,070	-	-	113,070
Sales and use tax	270,427	-	-	270,427
Gas and oil	91,890	-	-	91,890
Insurance	302,007	-	-	302,007
Franchise fee	193,757	-	-	193,757
Economic development	5,000	-	-	5,000
Energy conservation	14,393	-	-	14,393
WPPI community relations	4,449	-	-	4,449
WPPI conservation grants	29,443	-	-	29,443
Customer deposits	-	-	36,627	36,627
Utilities	26,739	-	-	26,739
Miscellaneous	43,784	-	-	43,784
Debt service:				
Bond principal payment	-	3,140,000	-	3,140,000
Interest	-	121,463	-	121,463
Total operating disbursements	8,735,022	3,261,463	36,627	12,033,112
Excess (deficiency) of receipts over (under) disbursements	764,172	(3,261,463)	2,827	(2,494,464)
Other financing sources (uses):				
Operating transfers in	-	3,094,129	-	3,094,129
Operating transfers out	(2,601,629)	-	(492,500)	(3,094,129)
Total other financing sources (uses)	(2,601,629)	3,094,129	(492,500)	-
Net change in cash balances	(1,837,457)	(167,334)	(489,673)	(2,494,464)
Cash balance beginning of year	5,434,893	167,334	740,483	6,342,710
Cash balance end of year	\$ 3,597,436	\$ -	\$ 250,810	\$ 3,848,246
Cash basis net assets				
Unrestricted	\$ 3,597,436	\$ -	\$ 250,810	\$ 3,848,246

The accompanying notes are an integral part of the financial statements.



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The financial statements include only the funds of the Maquoketa Municipal Electric Utility (the Utility). The Utility has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. Based on the above criteria, the Utility has determined that there are no potential component units which must be included in the Utility's financial statements as of and for the year ended December 31, 2012.

The Maquoketa Municipal Electric Utility is includable as a component unit within the City of Maquoketa, Iowa, reporting entity because it has the potential to provide specific benefits to, or impose specific financial burdens on the City of Maquoketa, Iowa.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Cash Receipts, Disbursements, and Changes in Cash Balances reports information on all of the activities of the Utility. For the most part, the effect of interfund activity has been removed from this statement.

Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

Fund Financial Statements - Separate financial statements are provided for proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining enterprise funds are aggregated and reported as nonmajor enterprise funds.

The Utility reports the following major enterprise funds:

*General Operating Fund*

Receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Bond Sinking Fund*

This fund is used to accumulate funds which are used to make the regularly scheduled principal and interest payments on the revenue notes payable.

C. Measurement Focus and Basis of Accounting

The Utility maintains its financial records on the cash basis for receipts and disbursements and the financial statements of the Utility are prepared on that basis. The cash basis of accounting does not report accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

*Budgets and Budgetary Accounting*

In accordance with the Code of Iowa, the Utility Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing statutorily prescribed procedures.

**NOTE 2 - DEPOSITS AND POOLED INVESTMENTS**

The Utility's deposits in banks at December 31, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 3 - COMPENSATED ABSENCES**

Utility employees accumulate vacation, sick leave, and compensatory time for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Utility until used or paid. The Utility's approximate maximum liability for unrecognized accrued employee benefits is as follows:

<u>Type of Benefit</u>	<u>Amount at December 31, 2012</u>
Vacation	\$ 54,442
Sick leave	253,011
Compensatory time	203
	<u>\$ 307,656</u>

**NOTE 4 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended December 31, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Bond Sinking	General Operating	\$ 2,601,629
Bond Sinking	Bond Reserve	<u>492,500</u>
<b>Total</b>		<b><u>\$ 3,094,129</u></b>

The purpose of the transfer to the Bond Sinking Fund was to allocate amounts required for payments on revenue notes.

**NOTE 5 - PENSION AND RETIREMENT BENEFITS**

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute for plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary through June 30, 2012, and 5.78% of their annual covered salary through December 31, 2012; the Utility is required to contribute 8.07% and 8.67% of the covered payroll for these periods, respectively. Contribution requirements are established by state statute. The Utility's contributions to IPERS for the years ended December 31, 2012, 2011, and 2010, were \$70,886, \$72,431, and \$70,671, respectively, and each equal to the required contributions for each year.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 6 - RISK MANAGEMENT**

The Utility is exposed to various risks of loss related to torts: theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered through the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

As stated in Note 1, Maquoketa Municipal Electric Utility is a component unit of the City of Maquoketa, Iowa. The City pays the Utility for electric service to City-owned facilities and also pays the Utility for labor performed by Utility employees on city property. For the year ended December 31, 2012, the utility received the following amounts from the City:

Electric service	\$ 322,118
Labor	24,173
	<u>\$ 346,291</u>

**NOTE 9 - REVENUE NOTES COMPLIANCE**

A provision of the revenue notes requires the Utility to establish and adjust rates to produce gross revenues at least sufficient to pay the expenses of operations and maintenance of the Utility and to leave a balance of net revenues sufficient to pay the annual installment of principal and interest on the notes. For the year ended December 31, 2012, the Utility produced revenues sufficient to meet this provision.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The Utility was named as a defendant in a civil lawsuit by Central Iowa Power Cooperative. The suit is seeking compensation for prior delivery of energy to the Utility. The Utility is one of many Utility providers that used these delivery systems. The Utility feels they have complied with all contract requirements on the contracts and are not liable for any other costs under the contract.

**NOTE 11 - SUBSEQUENT EVENTS**

The Utility has evaluated events and transactions occurring after December 31, 2012 for potential items requiring to be recognized or disclosed in the financial statements. Subsequent events have been evaluated through April 1, 2013, the date of which the financial statements were available to be issued.

This information is an integral part of the accompanying financial statements.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**ACTUAL TO BUDGET**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended December 31, 2012**

		<b>Budgeted Amounts</b>		<b>Variance</b>
	<b>Actual</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Final to Actual Favorable (Unfavorable)</b>
Receipts:				
Use of money and property	\$ 67,263	\$ 52,232	\$ 52,232	\$ 15,031
Charges for services	9,239,473	8,560,389	8,560,389	679,084
Miscellaneous	231,912	1,285,780	1,285,780	(1,053,868)
Total receipts	<u>9,538,648</u>	<u>9,898,401</u>	<u>9,898,401</u>	<u>(359,753)</u>
Disbursements	<u>12,033,112</u>	<u>9,848,983</u>	<u>12,453,252</u>	<u>420,140</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,494,464)</u>	<u>49,418</u>	<u>(2,554,851)</u>	<u>60,387</u>
Other financing sources (uses):				
Operating transfers in	3,094,129	701,946	3,398,433	(304,304)
Operating transfers out	<u>(3,094,129)</u>	<u>(701,946)</u>	<u>(3,398,433)</u>	<u>304,304</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(2,494,464)	49,418	(2,554,851)	60,387
Cash balance beginning of year	<u>6,342,710</u>	<u>6,430,845</u>	<u>6,430,845</u>	<u>(88,135)</u>
Cash balance end of year	<u>\$ 3,848,246</u>	<u>\$ 6,480,263</u>	<u>\$ 3,875,994</u>	<u>\$ (27,748)</u>
Cash basis net assets				
Unrestricted	<u>\$ 3,848,246</u>	<u>\$ 6,480,263</u>	<u>\$ 3,875,994</u>	<u>\$ (27,748)</u>

The accompanying notes are an integral part of the financial statements.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION -**  
**BUDGETARY REPORTING**  
**December 31, 2012**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,604,269. The budget amendment is reflected in the final budgeted amounts.

During the year ended December 31, 2012, disbursements did not exceed the amounts budgeted in the business type activities functions.

## **OTHER SUPPLEMENTAL INFORMATION**



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**NONMAJOR ENTERPRISE FUNDS**  
**As of and for the Year Ended December 31, 2012**

	Electric Surplus	Bond Reserve	Customer Deposits	Total
Operating receipts:				
Use of money and property	\$ 2,474	\$ -	\$ -	\$ 2,474
Miscellaneous	-	-	36,980	36,980
Total operating receipts	<u>2,474</u>	<u>-</u>	<u>36,980</u>	<u>39,454</u>
Operating disbursements:				
Customer deposits	-	-	36,627	36,627
Bond principal payment	-	-	-	-
WPPI deposit	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>36,627</u>	<u>36,627</u>
Excess of receipts over disbursements	<u>2,474</u>	<u>-</u>	<u>353</u>	<u>2,827</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(492,500)	-	(492,500)
Total other financing sources (uses)	<u>-</u>	<u>(492,500)</u>	<u>-</u>	<u>(492,500)</u>
Net change in cash balances	<u>2,474</u>	<u>(492,500)</u>	<u>353</u>	<u>(489,673)</u>
Cash balance beginning of year	<u>172,461</u>	<u>492,500</u>	<u>75,522</u>	<u>740,483</u>
Cash balance end of year	<u>\$ 174,935</u>	<u>\$ -</u>	<u>\$ 75,875</u>	<u>\$ 250,810</u>
Cash basis net assets				
Unrestricted	<u>\$ 174,935</u>	<u>\$ -</u>	<u>\$ 75,875</u>	<u>\$ 250,810</u>

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**GENERAL OPERATING FUND**  
**As of and for the Year Ended December 31, 2012**

	<u>Operating Account</u>	<u>Insurance Account</u>	<u>Vehicle Reserve- Distribution</u>
Operating receipts:			
Charges for services:			
Residential	\$ 2,973,553	\$ -	\$ -
Comercial	2,642,051	-	-
Security lights	74,234	-	-
Capacity payments	781,809	-	-
Power sales	2,503,372	-	-
Sales Tax	264,454	-	-
	<u>9,239,473</u>	<u>-</u>	<u>-</u>
Use of money and property:			
Interest on investments	37,238	311	-
Miscellaneous	27,240	-	-
	<u>64,478</u>	<u>311</u>	<u>-</u>
Miscellaneous:			
Refunds	4,355	-	-
Miscellaneous	190,577	-	-
	<u>194,932</u>	<u>-</u>	<u>-</u>
Total operating receipts	<u>9,498,883</u>	<u>311</u>	<u>-</u>
Operating disbursements:			
Administration	1,191,811	-	-
Power plant	6,640,337	-	-
Distribution	902,874	-	-
	<u>8,735,022</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>763,861</u>	<u>311</u>	<u>-</u>
Other financing sources (uses):			
Transfers in (out):			
Operating account	-	-	100,000
Vehicle reserve plant	(100,000)	-	-
Heavy equipment account	(5,000)	-	-
Radiator replacement account	-	-	-
Bond sinking account	(1,497,391)	-	(200,000)
	<u>(1,602,391)</u>	<u>-</u>	<u>(100,000)</u>
Net change in cash balances	(838,530)	311	(100,000)
Cash balance, beginning of year	<u>4,059,700</u>	<u>68,042</u>	<u>382,190</u>
Cash balance end of year	<u>\$ 3,221,170</u>	<u>\$ 68,353</u>	<u>\$ 282,190</u>

## Schedule 2

<u>Vehicle Reserve- Plant</u>	<u>Power Requirements Account</u>	<u>Heavy Equipment Account</u>	<u>Sub I Improvement Account</u>	<u>Radiator Replacement Account</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,973,553
-	-	-	-	-	2,642,051
-	-	-	-	-	74,234
-	-	-	-	-	781,809
-	-	-	-	-	2,503,372
-	-	-	-	-	264,454
-	-	-	-	-	9,239,473
-	-	-	-	-	37,549
-	-	-	-	-	27,240
-	-	-	-	-	64,789
-	-	-	-	-	4,355
-	-	-	-	-	190,577
-	-	-	-	-	194,932
-	-	-	-	-	9,499,194
-	-	-	-	-	1,191,811
-	-	-	-	-	6,640,337
-	-	-	-	-	902,874
-	-	-	-	-	8,735,022
-	-	-	-	-	764,172
-	-	5,000	-	-	105,000
-	-	-	-	-	(100,000)
-	-	-	-	-	(5,000)
-	-	-	-	-	-
(70,956)	(50,000)	(50,000)	(683,282)	(50,000)	(2,601,629)
(70,956)	(50,000)	(45,000)	(683,282)	(50,000)	(2,601,629)
(70,956)	(50,000)	(45,000)	(683,282)	(50,000)	(1,837,457)
70,956	50,000	70,723	683,282	50,000	5,434,893
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,597,436</u>

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**SCHEDULE OF DISBURSEMENTS**  
**OPERATING ACCOUNT**  
**Year Ended December 31, 2012**

## Administration:

Salaries	\$ 253,792
FICA and IPERS	40,497
Insurance	258,514
Sales and use tax	270,427
Franchise fee	193,757
Materials and repairs	15,599
Postage	14,951
Meeting expense	4,252
Dues	29,391
Office supplies	14,034
Professional fees	20,297
Utilities	6,138
Advertising	1,211
City Hall shared services	9,980
Energy conservation	14,393
WPPI community relations	4,449
WPPI conservation grants	29,443
Economic development	5,000
Miscellaneous	5,686
Total administration	<u>1,191,811</u>

## Power Plant:

Salaries	160,534
FICA and IPERS	24,234
Purchased power	6,304,492
Insurance	43,493
Materials and repairs	20,042
Supplies	5,558
Utilities	6,979
Natural gas	71,007
Lubricants	3,998
Total power plant	<u>6,640,337</u>

MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
SCHEDULE OF DISBURSEMENTS  
OPERATING ACCOUNT  
Year Ended December 31, 2012

Distribution:

Salaries	\$ 461,172
FICA and IPERS	73,130
Contract labor	26,149
Materials and repairs	129,814
Meeting expense	3,244
Supplies	13,027
Utilities	13,622
Gas and oil	16,885
Tools	5,260
Conductor	4,703
Transformers	33,833
4kV System Upgrade	113,070
Meters	8,965
Total distribution	<u>902,874</u>
Total disbursements	<u>\$ 8,735,022</u>

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**SCHEDULE OF INDEBTEDNESS**  
**Year Ended December 31, 2012**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
Electric revenue notes	January 15, 2008	3.4 - 4.05 %	\$ 4,925,000	\$ 3,140,000	\$ -	\$ 3,140,000	\$ -	\$ 121,463	\$ -

**INDEPENDENT AUDITOR'S REPORT ON  
- INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Utility Board of Trustees  
Maquoketa Municipal Electric Utility  
Maquoketa, Iowa

We have audited the accompanying financial statements of the business type activities, each major fund, and the aggregate remaining fund information of Maquoketa Municipal Electric Utility, as of and for the year ended December 31, 2012 which collectively comprise the Utility's basic financial statements listed on the table of contents and have issued our report thereon dated April 1, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Maquoketa Municipal Electric Utility is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Maquoketa Municipal Electric Utility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maquoketa Municipal Electric Utility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Municipal Electric Utility's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Maquoketa Municipal Electric Utility's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as item II-A-12 and II-B-12 to be a significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maquoketa Municipal Electric Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an effect on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Maquoketa Municipal Electric Utility, the citizens of the City of Maquoketa and other parties to whom Maquoketa Municipal Electric Utility may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the cooperation and assistance provided by the personnel of Maquoketa Municipal Electric Utility during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Min, City: Mech CPA PC*

Maquoketa, Iowa  
April 1, 2013



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2012**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2012**

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**II-A-12     Financial Statement Preparation**

Criteria - A properly designed system of internal control over financial reporting includes the preparation of the entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were engaged to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Effect - Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause - We recognize that with limited number of office employees, preparation of the financial statements is difficult.

Recommendation - Management should perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Response - The Utility concurs with the recommendations. The Utility will review current internal control policies and procedures and implement additional procedures in the future.

Conclusion - Response accepted.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2012**

**Part II: Findings Related to the Financial Statements: (CONTINUED)**

**II-B-12     Segregation of Duties**

Criteria - Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement to the financial statements could occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition - Currently, there are three individuals with accounting and financial duties. The three individuals handle separate stages of a transaction. However, transaction postings and reconciliations are done by the same person with no formal review process in place.

Effect - As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause - The Utility has a limited number of personnel performing accounting functions.

Recommendation - The Utility should be aware of the lack of segregation of duties and regularly review controls which could be put in place to mitigate the risk that misstatements could occur and not be detected and corrected on a timely basis. We also recommend that the Utility have a member of management or the Board of Trustees review the reconciliations on a monthly basis. The reviewer should then sign and date the reconciliation as an indication of approval.

Response - The Utility concurs with the recommendations. The Utility will review current internal control policies and procedures and implement additional procedures in the future.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2012**

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-12 Certified Budget - Disbursements during the year ended December 31, 2012 did not exceed amounts budgeted.
- III-B-12 Questionable Disbursements - We noted no disbursements that we believe would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-12 Travel Expense - No disbursements of Utility money for travel expenses of spouses of utility officials or spouses of utility employees were noted.
- III-D-12 Business Transactions - We noted no business transactions between the Utility and Utility officials or employees that appear to represent a conflict of interest.
- III-E-12 Bond Coverage - Surety bond coverage of utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- III-F-12 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-12 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utility's investment policy were noted.
- III-H-12 Revenue Notes - During the year ended December 31, 2012, the Utility met the provision of the revenue notes that requires the net revenues of the Utility be sufficient to pay the expenses of operation and maintenance of the Utility and to leave a balance of net revenues sufficient to pay the principal and interest on the revenue notes. Note was paid off during the year.
- III-I-12 Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.